

Review of the NIH Purchase Card Program
Prepared By
Division of Quality Management
Office of Management Assessment
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EXECUTIVE SUMMARY

The primary objectives of our Management Control Review (MCR) were to determine whether the internal control system for the purchase card program needed improvement and to determine best practices that would help improve the operations of the program. Overall, the program was found to be working well, including the controls in place, although some improvements are possible.

Some of the major findings and recommendations include the following:

- Although NIH has taken significant steps to increase the use of purchase cards, NIH needs to encourage greater "card" use. Some organizations benchmarked pay for 95 percent of their micro purchases with the purchase card, thereby saving millions of dollars in administrative costs. A June 1994 report of the Purchasing Practices workgroup of the DHHS Continuous Improvement Program stated that significant savings could be realized by utilizing purchase cards rather than written purchase orders, even though increased security risk was a trade-off. Estimates have put cost avoidance at \$7 to \$11 dollars per purchase card transaction compared to DELPRO, and even greater for other methods of procurement. At a minimum, we recommend that the purchase cards be the "preferred" acquisition method whenever possible; and that the Office of Procurement Management (OPM)¹ develop a continuous improvement plan that would enable NIH to realize the full advantages of using purchase cards. The policy to make purchase cards the "preferred" method would need to be developed and supported by the NIH, OD. This plan could also include greater use of the purchase card for orders exceeding \$2,500, as well as paying mechanisms for contracts and Blanket Purchase Agreements, BPAs. In addition, we recommend that OPM develop performance indicators to track the percentage of micro purchases made with purchase cards.
- Purchases made through the DELPRO computerized ordering system cannot be paid for with a purchase card. Doing so would result in a duplicate obligation for the purchase in the NIH financial system. However, when the "NIH Business System" software (presently being developed) becomes operational, the NIH accounting system may enable DELPRO payments to be made with a purchase card. Since many individual DELPRO acquisitions are for less than the micropurchase limit of \$2,500, ICs should consider switching to the purchase cards whenever possible.

¹ OPM is now referred to as the Office of Logistics and Acquisition Operations (OLAO).

- Purchase cards are not limited to NIH employees and are issued to contractors as well. We contacted an NIB legal advisor who advised that only Government employees may be issued a purchase card. We recommend that NIH policy be revised to limit purchase cards to Government employees. OPM is revising the policy manual and the card application to emphasize this policy.
- Many cardholders interviewed felt that the reconciliation process is time consuming and burdensome. One reason cited by the cardholders is that the automated purchase card reconciliation process did not permit the cardholder to interrupt the review process and bypass those purchases already reviewed and approved. To improve this process, we recommend that purchases that have already been reviewed and approved (1) be transferred to a temporary file, (2) be color-coded, or (3) otherwise be identified as previously reviewed, corrected, and approved. In addition, to further facilitate the approval process, ICs should assign a unique identifier to each purchase card order, with corresponding shipping labels and receiving documents. This would facilitate the matching of shipments to invoices.
- There are potential risks involving property purchased and paid for with a purchase card. Accountable property may be ordered and received long before the property custodian is aware that property has been ordered and delivered. To ensure adequate accountability over property that had been purchased and received but not yet paid for (therefore not recorded in the Property Management Information System, PMTS) cardholders should notify property custodians that property is "due in" at the time they place the order.
- Whenever the purchase card is used, the monthly cumulative purchase log is annotated. The log is retained for six years and three months, along with charge slips and other documentation. An alternative and perhaps better solution is to automatically maintain purchase logs on the Administrative Data Base by accessing data entry screens that are linked to the Data Warehouse Purchase Card business area. OFM recommends the use of the electronic log that automatically commits funds when entering a line item. The entry allows the user to identify the proper OC code (31XX). The log could also be programmed to flag a specific order as an accountable property requisition and then forward it to the property custodian prior to the posting of the invoice. The IntraMall also automatically produces a detailed purchase log based on orders placed on line.
- Some vendors do not recognize the credit card "tax-exempt" status of the U.S. Government, and charge sales taxes. In order to ensure that purchases are exempt from state and local sales taxes, cardholders should not only inform the vendors of the tax-exempt status of the U.S. Government, but should also consider switching to other vendors if this exemption is not honored. For further emphasis, the purchase card should be embossed with the words "U.S. Government Tax Exempt." OPM should request that the GSA contract with the participating banks include this requirement.

- The Division of Policy and Planning, OPM, carries out reviews of the purchase card activities on a full time, on-going basis. In addition to reviewing the documentation for compliance with purchase card procedures, the reviewer tests for compliance with procurement statutes and regulations. We examined sample reports from 1997, 1998, and 1999 and noted that the reports identified purchases that did not comply with Federal Acquisition Regulations (FAR) and/or with purchase card procedures. The reports we examined did not disclose purchase card abuses. We recommend that OPM continue to monitor the ICs compliance with the purchase card policies and procedures, and report its findings of inappropriate card use to the ICs on an ongoing basis. This will enable ICs to be aware of significant issues or problems that arise so that they can implement changes when necessary. Overall, we found that adequate and effective management controls are in place. However, we found that OPM had not established written policies or procedures for internal reviews, and we recommend that they be developed.
- Many cardholders would prefer the purchase card training meetings be more conveniently scheduled and geared to the specific needs of cardholders. They would also like to see refresher courses and better communication on policy changes. OPM should continue to provide routine training for cardholders, offering more electronic training and policy changes on the OPM Web site. When the training is completed, a certificate could be offered along with an application for a purchase card. The MITRE Corp. Bedford, Massachusetts, a non-profit Government contractor, has developed software to train employees on the purchase card program. This tool also includes a certification quiz.

BACKGROUND

In 1993, the National Performance Review recommended that agencies increase their use of government purchase cards for small purchases. A June 1994 report of the Purchasing Practices Workgroup of the DHHS Continuous Improvement Program stated that significant savings could be realized by utilizing purchase cards rather than written purchase orders, even though increased security risk was a trade-off.

Purchase cards are similar to commercial credit cards and are issued to authorized personnel to pay for supplies and services. Purchase cards are the preferred means to pay for micro-purchases because they expedite purchases, streamline payment procedures, and reduce administrative costs. Purchase cards are not intended to preclude, but rather complement, electronic purchasing techniques.

In 1995, NIH began a pilot program by issuing purchase cards to NCHGR and NCI and later expanded this program to all ICs. The goal at that time was to increase the use of the purchase card. At the present, purchase card purchases total approximately \$175 million. Because use of the purchase card is expected to increase even further, the Office of Management Assessment initiated this review.

OBJECTIVE/SCOPE/METHODOLOGY

The review team comprised volunteers from various ICs and OMA staff members. The objectives of the review were to determine whether the internal control system over the purchase card program needed improvement, focusing on the effectiveness of the controls in place; and to determine "best practices" that could be applied to NIH. The review entailed random sampling of FY 99 purchase card activities at selected Institutes and Centers. Fourteen ICs were reviewed, of which 118 cardholders and their CAOs were interviewed out of a total population of approximately 1 700 cardholders. In addition to conducting interviews, we examined samples of purchase card documentation and logs for compliance with purchase card procedures. We did not review or evaluate the Office of Financial Management's (OFM) policies and procedures regarding bank rebates, although we emphasize the need to ensure that rebates are maximized and that bank calculations are correct. We conferred with officials of the Office of Inspector General, OPM, OFM, OLM, and Office of General Counsel. Outside agencies were benchmarked including the Department of Veterans Affairs, Department of Commerce, Department of Energy, Department of Interior, Department of Agriculture, and Defense Information Systems Agency.

GENERAL FINDINGS

Overall, the purchase card program was found to be working well and generally compliant with NIB policies and procedures. However, in discussions with an OIG investigator conducting an independent review, we learned that Card Approving Officials, CAOs, do not always detect questionable and illegal charges. The investigator attributed this to the CAOs not reviewing the documentation during the reconciliation period². One case that was uncovered involved a cardholder misusing the card and altering documents to avoid detection. Another case involved a vendor adding illegal charges for nearly a year without detection. In this case the vendor was able to continue to add these charges because the cardholder, although aware of the incorrect charges, was unaware of the procedure to resolve disputes and correct the statement of account. All disputes that cannot be resolved directly with the vendor should be referred to the bank. Presently the OMA and the OIG are jointly conducting an investigation into an allegation of purchase card misuse. One of the issues to be addressed during this review concerns the potential for misuse when a card approving official is a subordinate of the cardholder.

As a result of its review, the OIG recommended retraining of cardholders and CAOs on a regular basis and increasing CAO accountability for errors and irregularities. We concur with the OIG that ongoing training be provided to cardholders and CAOs, and recommend that information regarding abuses be disseminated throughout NIH.

² Cardholders and CAOs are responsible for performing timely reconciliation of all purchase card transactions by reviewing the supporting documentation such as, requisitions, clearances, purchase orders, sales slips, and receiving documents, and then comparing these documents to the Statement of Account.

OPPORTUNITIES FOR IMPROVEMENT

Maximizing the Purchase Card

Numerous studies suggest that use of the purchase card enables organizations to complete acquisitions quicker, cheaper, and with better results. Some organizations now complete 95 percent of their micro purchases with the purchase card, thus saving millions of dollars. Some even prohibit the use of anything but purchase cards for purchases at or below \$2,500. In addition, agencies are encouraging use of the card for higher dollar level contracts. Although NIH has taken significant steps to increase the use of purchase cards, NIH needs to encourage greater card use. A June 1994 report of the Purchasing Practices Workgroup of the DHHS Continuous Improvement Program stated that significant saving could be realized by using purchase cards rather than written purchase orders, even though increased security risk was a trade off. Estimates have put cost avoidance at \$7 to \$11 dollars per purchase card transaction when compared to DELPRO, and even greater for other methods of procurement. At a minimum, the purchase cards should be the preferred acquisition method whenever possible, and OPM should develop a continuous improvement plan that would enable NIH to realize the full advantages of using purchase cards. This plan could also include greater use of the purchase card for orders exceeding \$2,500, including contract payments. In addition, OPM should develop performance indicators to track the percentage of micro purchases made with purchase cards.

Purchases made through the DELPRO computerized ordering system cannot be paid for with a purchase card because it results in a duplicate obligation for the purchase in the NIH financial system. However, when the "NIH Business System" software becomes operational, purchase cards may be used to pay for purchases made through DELPRO. Since many individual DELPRO acquisitions total less than the micropurchase limit of \$2,500, ICs should consider switching to the purchase cards whenever possible.

Designation of Cardholder

During our review, we found that two contractors had been issued purchase cards. However, we are unaware of any other existing accounts with contractors.

The Treasury Financial Manual defines a cardholder as "The individual Government employee to whom a Government purchase card is issued. The card bears the employee's name and can be used only by that employee for official purchases, in compliance with the agency's regulations and procedures and General Services Administration's (GSA) Government Commercial Credit Card Services contract." We contacted the NIH legal advisor who confirmed that only Government employees may be issued a purchase card. However, in reviewing the NIH policy, we found that the NIH Purchase Card Policy does not address the employment status of the cardholder.

We recommend that the purchase card policy be revised to allow only Government

employees to be issued a purchase card, and that all applications for a purchase card disclose whether the individual is, in fact, a Government employee. OPM is in the process of revising the policy manual and card application to address employment status.

Facilitating the Reconciliation Process

The Statement of Account (SOA) is a monthly listing of all purchases and credits made by the cardholder and billed by the merchants. It is transmitted electronically from the bank to NIH and then re-transmitted to the individual cardholders and CAOs through the Administrative Data Base. Each month the cardholders and CAOs review all the purchases and credits listed on the SOA to verify accuracy. In addition, the default Fiscal Year Common Account Number (CAIN) and Object Class codes (OC) are examined, verified, and corrected if necessary.

Reviewers noticed that on occasion the SOA listed all items to the default CAN and OC giving the appearance that the "Statement" had not been reviewed for accuracy and corrected. In addition, incorrect codes, OCs, were found throughout the purchase logs; however, none of the incorrect codes detected during our review caused an error to the property information system.

Many cardholders found the reconciliation process to be time consuming and burdensome. The current reconciliation and approval process does not permit the cardholder to interrupt the process, because when the cardholder resumes the process, there are no means to bypass those items already reviewed. Approval must be given to all of the transactions in one sitting.

To facilitate the process, cardholders want to see previously reviewed and approved purchases (1) transferred to a temporary file, (2) color-coded, or (3) otherwise identified, that they have been reviewed, corrected, and approved.

In addition, cardholders would like to assign a unique identifier or some other form of reference to each credit card purchase. This would allow them to match completed and partial shipments to invoices.

The Department of Commerce encourages offices to add a sequential number to their purchase logs as a point of reference. The U.S. Department of Commerce Procedures, September, 1989, says "adding a sequential number to each entry on the log and requesting the vendor to put the log number on the shipping label will help identify purchase card purchases as soon as they are received."

Accountability of Property

Property may be purchased and delivered long before the property custodian becomes aware that it has been received. This is because property is not typically recorded in the Property Management Information System (PMTS) until the vendor sends an invoice,

the charges are transmitted on the SOA, and the cardholder has reviewed and approved the charges. Only then is the property recorded in the PMTS. Vendors often delay in sending their invoices, and many weeks could lapse after the property is delivered. To ensure the proper accountability over the property during this interim period, the property custodian should be notified, at the time of purchase, that the property is "due in." This could be in the form of a property document prepared and submitted to the custodian containing detailed information of the purchase and the approximate value of the property. Then, when the property arrives, a copy of the packing slip should be sent to the property custodian for inclusion in the PMTS.

OFM recommends the use of the electronic purchase log that could also be programmed to flag a specific order, based on the OC selected, as an accountable property requisition and forwarded to the property manager prior to the posting of the invoice.

Streamlining the Purchase Log

According to the Internal Procedures for the Purchase Card Program, Manual Chapter 6013-2, the monthly cumulative purchase log, "Record of Purchase Card Orders" must be annotated and retained in a monthly acquisition file for all purchase card purchases. Any time the purchase card is used, whether it is over-the-counter or by telephone, the cardholder annotates the monthly cumulative purchase log and retains it along with the charge slips. When the ordered items are received, the cardholder also annotates the shipping document and or the purchase log with the receiving information. This allows cardholders to track of all purchases paid with the IMPAC Card, and facilitates compliance with spending limits.

During our review, we found some cardholders were not maintaining a purchase log and said that they were unaware of the requirement to do so. Others created a separate log for each individual purchase, rather than one cumulative log. With this method, there are no assurances that all purchases, particularly telephone purchases, are tracked on a log and accounted for.

Additionally, we found that the format used to record the purchases and the amount of detail recorded on the purchase log varied among the users, ranging from handwritten logs to computerized logs. Moreover, some logs were not prepared at the time of purchase. Rather, they were prepared during the reconciliation phase and were merely a duplication of the SAO. These logs listed only the purchases that had already cleared, thus omitting the open purchases. Without consideration of these open purchases, the tracking of account balances for budgetary purposes is unworkable.

For the most part, even when a purchase log was maintained, cumulative balances were not tracked on the log. To track funding balances, some cardholders accessed online information. For example, cardholders access the NIH Data Warehouse for budgetary information. The Data Warehouse is a Web-based online system that serves as a repository of administrative and financial management activities of the Administrative Data

Base, (ADB). It provides financial data including budgetary information, such as, obligations and commitments, allowances, allotments, central service payment, and obligations. The financial data includes invoices and payments made to "accounts payable" and the status of funds.

Cardholders can automatically maintain purchase logs on the ADB by accessing data entry screens that are linked to the Data Warehouse Purchase Card business area. A Data Warehouse tool has been designed to aid purchase cardholders with the reconciliation of their monthly purchase logs by providing an automatic reconciliation process. It also tracks commitments for budgeting purposes. In addition, a property screen is displayed which interfaces with the PMTS when a property object class is recorded. Some additional features available to cardholders are reports of matched or unmatched items, or reports by date of purchase, item, purchase amount, or vendor. To gain access to this tool, users must register using the DW Registration System at <http://datatown.nih.gov/dw/regmenu.htm>. Once registered, cardholders access the report by clicking on Budget & Finance or Procurements business links and selecting Government Purchase Card Reconciliation.

Consideration should also be given to streamlining the purchase card log by eliminating entries in the log for over-the-counter purchases, and requiring only an itemized receipt and a signed copy of the charge slip as proof of purchase. Many commercial items are purchased over the counter, and recording this information on a purchase log may be redundant. Logs could be used solely to document and verify telephone purchases. Likewise, electronic purchases through the NIH IntraMall or the GSA Advantage can be documented by printing out the details of the purchase.

The Department of Veterans Affairs, Procedures Guide (1996) requires users to retain either the purchase card charge slip (for purchases made over the counter) or a telephone log as proof of procurement. The charge slip or log identifies the items procured, the quantity, and per item-cost; and is used to verify the procurement shown on the cardholder SAO issued at the end of the monthly billing cycle.

The U.S. Department of Commerce Credit Card Procedures (1989) states only "Telephone orders placed using the Credit Card must be recorded on a log."

The NIH internal procedure manual requires that the purchase card documentation be retained for six years and three months after the final payment. However, The Department of Interior, DOT, requires only a three-year retention period for all original receipts and documentation directly supporting purchase card transactions after the final payment. We recommend that NIH management consider reducing the retention period for receipts and other purchase card transactions.

Safeguarding the Purchase Cards

NIH procedures address the safeguarding of purchase cards. GSA requires strong security measures for the cards in order to prevent unauthorized use and to limit potential for

fraud. Use of the purchase card by any person other than the cardholder is unauthorized.

One reason for this requirement is that certain conditions and restrictions are imposed on cardholders. For example, the cardholder may use the purchase card for only authorized government purchases. The purchaser must comply with single and monthly purchase limits and must utilize mandatory sources if available. Additionally, the cardholder may not disclose bid or proposal information or source selection thereby giving a competitive advantage in the award of a contract, and may not split an order into smaller purchases in order to comply with single purchase spending limits. Should cards or identification numbers be shared, the cardholder (the person whose name appears on the purchase card) may be held liable for violations and misuse of the card.

Generally, the purchase cards were found locked in a secure place when not in use and were used exclusively by the cardholder. However, there were isolated instances of shared cards. For example we found:

- A cardholder kept the card in a lab area, unsecured. Everyone in the lab had access to the card that was used by several to place orders. Moreover, back up documents for the purchases were not maintained.
- A reviewer was told that under certain circumstances the purchase card number is provided to others.
- One cardholder allowed his/her secretary to use the card.
- One cardholder allowed a Senior Research Associate to use the card.
- In one instance, invoices that were examined indicated that someone, other than the cardholder, made card purchases.

If other staff within an office have a need to make purchases, we recommend that an application be submitted to the Office of Procurement Management so that the applicant will receive a Delegation of Authority to purchase and receive proper training.

Taxes

When making a purchase either over-the-counter or by phone, the cardholder must ensure that the purchase is not subject to state and local sales taxes. The cardholder should inform the merchant that it is for official U.S. Government purposes.

Review team members were told that some vendors do not recognize credit card tax-exempt status and were charging sales taxes. This occurs because some states do not honor the tax exempt status of the U.S. Government, and some vendors are unable, due to

the limitations of their accounting systems, to record a tax-exempt sale. When that occurs, the cardholder should consider making the purchase with another vendor.

The Department of Energy Guidelines, July 1999 states, "Should a vendor refuse to acknowledge the tax exempt status of the purchase, the ultimate recourse for the card holder is to inform the vendor that the Government's purchase will be taken elsewhere." Another possible solution is to have the purchase card embossed with the words "U.S. Government Tax Exempt."

Internal Reviews

OPM, the Division of Policy and Planning (DPP), reviews purchase card activities on a full time, ongoing basis. Each year the reviewer nonstatistically selects approximately 10 percent of all cardholders for review. If DPP were to statistically select a sample, they would only need to review about 5 percent of the cardholders each year to achieve a 90 percent confidence level with an error rate of plus or minus 10 percent. Therefore we view the current sample as sufficient.

During a review, DPP examines purchases made over a three-month period, reviewing the supporting documentation, such as, sales slips, requisitions, packing slips, and clearances. In addition to reviewing the documentation for compliance with purchase card procedures, the reviewer tests for compliance with procurement statutes and regulations.

When DPP reviewers find procedural problems, a letter report is sent to the cardholder, the CAO, and procurement officials. In addition, on-the-spot instruction is provided to the cardholder. When three or more regulatory problems are found, a follow-up review is scheduled. We were told that during 1998, 227 reviews were conducted and re-training was provided. We obtained a sample report for each of three years of 97, 98, and 99. The reports were written by the Agency Program Coordinator and addressed to the cardholder with copies sent to the CAO and the Office of Contract Management, OCM.

The reports we examined identified purchases that did not comply with the Federal Acquisition Regulations (FAR) and noted some procedural errors. For example, one report stated that the two orders that exceeded the micro purchase limit did not include the Small Business Representations and SIC Code clause in accordance with FAR 19.303, and did not indicate that the purchases were in compliance with the Buy American Act. In another report, two regulatory problems were noted. The report stated that none of the files included documentation that mandatory sources were checked in accordance with FAR 8.001, and there was indication of a split order.

During our review of DPP activities, we noted that policies and procedures for the DPP review process had not been documented in writing. Information about the type of problems being detected was not disseminated to all the ICs. To ensure that OPM's directives are met, techniques and procedures should be documented in writing. In

addition, information regarding the types of procedural and statutory problems being detected through internal reviews should be disseminated to all ICs.

Training and Communication

During our review, many cardholders and CAOs expressed a desire to attend training designed exclusively for cardholders who do not possess an in-depth knowledge of procurement. They also would like to see refresher courses offered and better communication on policy changes. They said that the "survival" meetings conducted by OPM are inconveniently scheduled and include many topics and issues that are not pertinent to their duties and responsibilities.

One suggestion is to offer electronic training on procedures on the OPM Web site, along with recent policy changes. When the training is completed, a certificate could be offered along with an application for a purchase card. In addition, a short follow-up training session could be offered that would serve as a refresher course on the basics, and provide information on the type of problems found during OPM and other reviews. This would eliminate the need to schedule four-hour training sessions and regular "survival meetings" where policy changes are introduced, and perhaps lessen cardholders reliance on telephone support.

The MITRE Corp. Bedford, Massachusetts, a non-profit Government contractor, has developed software to help employees learn the purchase card program and to help them stay up-to-date on the latest changes. The tool includes a certification quiz taken every two years, ensuring that cardholders understand the rules governing the purchase card.

There are also commercially available training courses. According to the Department of Energy, "In addition to the cardholder and approving official training conducted by the local program coordinator, cardholders are encouraged to attend formal commercially available training for the following training courses:

- "Federal Supply Schedules and Simplified Acquisition Procedures," and
- "The Government Purchase Card."

These courses are offered at the USDA Graduate School and by Management Concepts. Other training options include using the Governmentwide Purchase Card Interactive CD-ROM available from GSA.

Mandatory Sources -GSA Advantage

Once a need has been determined, the cardholder determines the proper source of supply for the goods or services to be acquired. The cardholder must consider sources of supply in an order of priority set by law and regulations. Generally, if an item can be purchased through an established Government source, such as the NIH Warehouse or the GSA Advantage, that source should be used.

GSA Advantage is an online ordering system that allows IMPAC cardholders to search through all GSA sources of supply, and order the best-valued products for their requirements without incurring additional cost. It is designed to offer GSA products and services

supplied through Federal Supply Schedule (FSS). Authorized users are those that have a GSA assigned account number and password, or have been issued the Government Purchase Card. However, browsing is open to everyone. Using electronic shopping carts, users can interrupt their purchasing activity and finish ordering at a later time. Customers can shop by keyword searches for products or by browsing through a series of menus. Items selected for purchase can be placed in a shopping cart and paid for with a Government purchase card, or through an account set up with GSA.

IntraMall

In 1996, CyberSystem Technologies was awarded rights under a Cooperative Research and Development Agreement (CRADA) to develop, own, and manage a system for electronic commerce at the National Institutes of Health, known as the IntraMall. Subsequently, in 1999, an agreement was reached with BioSpace to oversee the further development and enhancement of the IntraMall.

In 1997, the IntraMall was first installed at the National Cancer Institute and in June 1998 was expanded for use by the entire NIH campus.

The "Mall," an online purchasing system, provides product information, direct ordering, and electronic payments with capability to facilitate the reconciliation process. The system automatically produces a detailed purchase log based on orders placed and can be used to track shipments. Non-mall purchases may be added to the purchase log for tracking purposes using a specific screen. The Mall maintains a transaction log that is matched to the bank's SOA. Credits as well as purchases are added to the transaction log. The system maintains a profile of each user's shipping address, purchase authorization limits and purchase card information, as well as CANS and OCs. When limits are exceeded, the purchase order will be sent to the next level of approval. The IntraMall generates and matches a unique order number to the detailed billing information delivered through the banking system back to NIH. Where the order number and dollar amounts match, the program will automatically reconcile that transaction. After orders are placed, the vendors add the shipping charges to the cost and notify the cardholders. Cardholders are also notified when items were shipped. An additional feature is that the shopping cart produces a notice reminding users of mandatory sources.

Purchase Cardholders can establish accounts for non-purchase card staff that they support. These shoppers can fill shopping carts with products from the IntraMall and send them to the cardholder to purchase on their card.

We were told that the IntraMall is currently integrated with the ADB system and that the reconciliation process is in phase 2, being tested. Hopefully, the reconciliation process will be available for everyone at NIH in the near future. Until that time, cardholders must reconcile with the ADB system as well as the IntraMall. Once online, cardholders will also be able to dispute charges directly on the IntraMall. At the present cardholders must request a credit from the vendor. In the future, it is planned that the IntraMall will interface with the NIH Business System software.

CONCLUSION

The purchase card program was found to be working well and generally in compliance with NIH policies and procedures. However, by analyzing the process and benchmarking with other agencies, we identified possible areas of improvement. (See Attachment)

Should any questions or concerns regarding this report arise, please contact Robert Weymouth, at 26350 or Marilyn Rothschild at 21018.

On behalf of the Office of Management Assessment, Division of Quality Management and Review, we would like to extend our thanks and appreciation to all of the individuals listed below who contributed to this report by participating in the review and analysis of the purchase card process.

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Kevin Sullivan,	OMA

**Summary of Recommendations
OPM and IC Recommendations**

Maximize the Purchase Card <ul style="list-style-type: none"> • Develop a continuous improvement plan to increase usage of purchase card.
Limit Cardholder Authority to Government Employees <ul style="list-style-type: none"> • Revise NIH policy to limit purchase cards to employees. • Revise the card application to address employment status.
Facilitate the Reconciliation Process <ul style="list-style-type: none"> • ICs should add a sequential identifier to card purchases. • Establish a threshold for reviewing purchases. • Allow the review and approval process to be interrupted and to bypass those purchases already reviewed.
Ensure Accountability of Property <ul style="list-style-type: none"> • Require notification of custodians when property has been ordered and is "due in."
Streamline the Purchase Log <ul style="list-style-type: none"> • Utilize an automated purchase log. • Limit the retention period of purchase card documentation to three years.
Safeguard the Purchase Card <ul style="list-style-type: none"> • ICs should eliminate the sharing of cards.
Eliminate Paying State and Local Sales Taxes <ul style="list-style-type: none"> • Inform the vendor of tax exemption. • Switch to another vendor if not honored. • Emboss the card with "U.S. Government Tax Exempt."
Establish Written Policies and Procedures for Conducting Internal Reviews.
Provide Training and Notices of Procurement Changes on Web Site.

Action Plan

Responsible Analyst/Team Leader		Completed/Reviewed By		Date Prepared	
Major Milestones	Responsible Person/Office	Completion Dates			Status
		Original Plan	Revised Plan	Actual Date	